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Macroeconomic policy questions: external debt sustainability and development

Algeria:* draft resolution

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009, 65/144 of 20 December 2010 and 66/189 of 22 December 2011,

Recalling also the United Nations Millennium Declaration, adopted on 8 September 2000,[1]

Recalling further the International Conference on Financing for Development and its outcome document[2] and the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,[3]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[4]

Recalling also the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[5]

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] Resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] Resolution 63/239, annex.

[4] Resolution 63/303, annex.

[5] See resolution 65/1.

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Recalling further the Fourth United Nations Conference on the Least Developed Countries and the Istanbul Declaration and the Programme of Action for the Least Developed Countries for the Decade 2011-2020,[6]

Recalling the Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, and its outcome document, entitled "The future we want",[7]

Recalling also its resolution 57/270 B of 23 June 2003 on the integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields,

Recalling further its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Welcoming the special event of the Second Committee of the General Assembly held on the theme "Sovereign debt crises and restructurings: lessons learned and proposals for debt resolution mechanisms" and the important contributions made by experts from the United Nations Conference on Trade and Development, the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat and the Bretton Woods institutions, as well as by representatives from civil society and the private sector,

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals, and acknowledging that debt crises tend to be costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting in particular the poor and vulnerable,

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized for the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reaffirming also that multilateral institutions, including entities within the United Nations system and other relevant organizations, should continue to play an important role, given their respective mandates, in assisting countries in achieving and maintaining debt sustainability,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as those derived from the

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[6] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chaps. I and II.

[7] Resolution 66/288, annex.

world financial and economic crisis, should continue to be taken into account in debt sustainability analyses,

Expressing deep concern about the adverse impacts, particularly on development, of the ongoing world financial and economic crisis, which has highlighted long-standing systemic fragilities and inequalities, stressing that the recovery has been threatened by new circumstances, including the deepening and widespread fiscal strains in the economies of developed countries, as well as the excessively expansionary monetary policies pursued by the central banks of developed countries, and that the systemic problems facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture, recognizing that any deepening of the current crisis will have a negative effect on debt sustainability globally, and confirming that unsustainable debt is a global problem,

Recognizing the importance of efforts and cooperation undertaken at the national, regional and international levels in response to the challenges posed by the world financial and economic crisis, and acknowledging that the continuing impacts of the crisis on development entail the possibility of undermining the progress made towards achieving the internationally agreed development goals, including the Millennium Development Goals, and threaten debt sustainability in many countries, especially developing countries, through, inter alia, the consequences on the real economy and government revenue and the need to increase borrowing to mitigate the negative impacts of the crisis,

Recognizing also the important role, on a case-by-case basis, of debt relief, including debt cancellation, and debt restructuring as debt crisis prevention and management tools for mitigating the impact of the world financial and economic crisis on developing countries,

Recognizing further the role of private capital flows in mobilizing financing for development, and stressing the challenges posed by excessive short-term capital inflows to many developing countries, including to their debt sustainability, and the need for policy space for the adoption of macroprudential and capital control measures to mitigate the impact of volatile capital flows,

Expressing concern that many low- and middle-income countries face increased challenges in servicing their debt,

Expressing deep concern that, in spite of international efforts, many least developed countries still struggle with high debt burdens and are classified as being in debt distress or at high risk of debt distress,

Noting with appreciation that the Heavily Indebted Poor Countries Initiative, the Multilateral Debt Relief Initiative and bilateral donors have provided substantial debt relief to thirty-four countries that have reached the completion point under the Heavily Indebted Poor Countries Initiative, which has provided needed debt relief and enabled them to reallocate resources to investments in social services, while expressing concern that some post-completion point countries remain classified as being at high risk of debt distress and need to avoid rebuilding unsustainable debt burdens,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[8]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries to promote their economic growth and development;

3. *Stresses* the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and encourages Member States, the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders to continue the ongoing discussions on this issue, inter alia, within the framework of the initiative of the United Nations Conference on Trade and Development, in order to articulate and promote principles of responsible sovereign lending and borrowing;

4. *Acknowledges* the role played by the Debt Sustainability Framework for Low-Income Countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, and encourages continued review of the Framework in an open and transparent manner, with the full engagement of borrower Governments;

5. *Reiterates* that no single indicator should be used to make definitive judgements about a country's debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to continue to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets, and to provide information on this issue to Member States, using the appropriate frameworks;

6. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, mobilization of domestic and international resources, export prospects of debtor countries, responsible debt management, sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems, and hence on the creation of an enabling international environment that is conducive to development;

7. *Also recognizes* the enormity and the multidimensional nature of the world financial and economic crisis, which caused a sharp deterioration of the debt ratios in several developing countries, stresses the need to continue to assist developing countries in avoiding a build-up of unsustainable debt so as to reduce the risk of relapsing into another debt crisis, takes note in this regard of the additional resources made available during and since the crisis through the International Monetary Fund and the multilateral development banks, and calls for the continued provision of concessional and grant-based financing to low-income countries to enable them to respond to the consequences of the crisis;

[8] A/67/174.

invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors;

16. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards achieving those objectives, including in the context of the development agenda beyond 2015, according to their national priorities and strategies;

17. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative do not detract from official development assistance resources intended for developing countries;

18. *Also encourages* donor countries to uphold their international aid commitments, as official development assistance constitutes an important source of financing for developing countries to pursue the objectives outlined under the Millennium Development Goals and other internationally agreed development goals, recognizing that official development assistance can also help countries to weather the negative effects of the global financial and economic crisis on trade, investment, debt servicing, remittances exchange rate volatility and capital flows;

19. *Notes with concern* that some low- and middle-income developing countries that have not been eligible to benefit from existing debt relief initiatives may have large debt burdens that may create constraints on mobilizing the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals, indicating the need to design debt relief initiatives for those countries, and encourages the consideration of medium- and long-term sustainability as well as new approaches to deal with bilateral and private non-Paris Club debt;

20. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and notes with appreciation the Evian approach of the Paris Club in providing different terms of debt relief in order to respond to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

21. *Stresses* the need for the international community to remain vigilant in monitoring the debt situation of the least developed countries and to continue to take effective measures to address the debt problem of those countries, including through the cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

22. *Welcomes* the efforts of and calls upon the international community to continue to provide flexibility, and stresses the need to sustain those efforts in helping post-conflict developing countries, especially those that are heavily

indebted and poor, to achieve initial reconstruction for economic and social development;

23. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situations and needs;

24. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessional financing, the cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

25. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to promote employment and productive investment and to invest in, inter alia, health and education while maintaining debt sustainability;

26. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the public and the private sectors to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments and innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goal projects, as well as debt indexation instruments;

27. *Also calls for* the consideration of enhanced approaches to sovereign debt restructuring and debt resolution mechanisms, with due consideration for existing frameworks and principles, with the broad participation of creditors and debtors, the comparable treatment of all creditors and an important role for the Bretton Woods institutions and other relevant organizations within the United Nations system, and in this regard calls upon all countries to promote and contribute to the discussions, within the United Nations and other appropriate forums, on the need for and feasibility of a more structured framework for international cooperation in this area;

28. *Takes note* of the key issues identified at the special event of the Second Committee of the General Assembly held on the theme "Sovereign debt crises and restructurings: lessons learned and proposals for debt resolution mechanisms", including: the high cost of debt restructuring for debtors and creditors, and the risks debt problems pose to global financial stability; the lack of a standing body that can preserve the institutional memory of debt distress, default and debt restructuring episodes and that, on the basis of the insights they have provided, can facilitate the smoother treatment of sovereign debt in the future by providing a venue for information discovery and negotiation; the need for arrangements for temporary standstill agreements; the need to create incentives for the early recognition of problems by debtors and the early engagement of debtors and creditors, the independent assessment of debt sustainability and the ability to pay without compromising growth and access to financing; the need for a rules-based

mechanism for debt restructuring and creditor coordination, burden-sharing among debtors and creditors and the establishment of creditor seniority and the prevention of litigation and holdouts; and the role of the International Monetary Fund and the private sector in interim financing with due attention to fiscal multipliers in designing policy packages for debtors; and encourages the participant institutions and experts to continue their work on these issues and to propose policy options for the future, as appropriate;

29. *Calls for* the establishment of a General Assembly working group, with the participation of all relevant stakeholders, including the multilateral financial institutions, to continue the study and examination of options for enhanced approaches to debt restructuring and resolution mechanisms that take into account the multiple dimensions of debt sustainability;

30. *Notes* the changing composition of the sovereign debt of some countries, which has shifted increasingly from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, also notes that the levels of domestic debt and the significantly increased number of creditors, both official and private, could create other challenges for macroeconomic management and public debt sustainability, and stresses the need to address the implications of those changes, including through improved data collection and analysis;

31. *Recognizes* concerns about vulture fund litigation and that some debtor countries may experience difficulties in obtaining comparable treatment from non-Paris Club creditors, as required by the standard clause included in Paris Club agreements, and encourages the continued provision by the relevant institutions of mechanisms and legal assistance to debtor countries to solve litigation issues;

32. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit-rating agencies play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and in this regard reiterates its invitation to the President of the General Assembly to convene a thematic debate on the role of credit-rating agencies in the international financial system, and requests the Secretary-General to report on new and ongoing measures to establish new, or to improve, existing credit-rating agencies and their capacity to accurately assess the creditworthiness of borrowers;

33. *Invites* the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

34. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial

institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

35. *Encourages* further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

36. *Acknowledges* that timely and comprehensive data on the level and composition of debt are a condition necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect data, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

37. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

38. *Requests* the Secretary-General to submit to the General Assembly at its sixty-eighth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

39. *Decides* to include in the provisional agenda of its sixty-eighth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development".